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# Finland

# Wine/Beer

# Finland Cuts Taxes on Alcoholic Beverages

# 2004

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**Report Highlights:**
As of March 1, 2004, Finnish alcohol taxes have been reduced by an average of 33%. The tax on hard liquor is reduced by 44%, on beer by 32% and on table wine by 10%. These tax cuts are being fully passed on to the consumers.

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Includes PSD Changes: No
Includes Trade Matrix: No
Unscheduled Report
Stockholm [SW1]
[FI]

In August of 2003, the Finnish government decided to reduce the taxes on alcoholic beverages by an average of 33%. The decision was made to ease pressure caused by lower alcohol taxes in neighboring countries and was implemented in time for Estonia's accession to the EU on May 1, 2004. Finnish government officials have reportedly expressed concerns about the increased pressure of competition from Estonia in particular. The tax cuts took effect on March 1, 2004.

Finland, as well as its neighboring country Sweden, has traditionally favored high taxes on alcohol for public health reasons (consumption control). However, recent tax reductions in nearby countries and increased private import quotas are adding pressure in Finland (and Sweden) to lower prices on alcohol to avoid consumers crossing borders to stock up on cheap alcohol. When Finland and Sweden joined the EU in 1995, they received derogations allowing them to retain tighter restrictions than those of other member states on the personal import of alcoholic beverages from other EU countries. Those derogations expired on January 1, 2004. Both countries have been dealing with the dilemma of whether to cut taxes to meet the competition, and consequently face the possibility of increased alcohol consumption, or not to cut taxes, and consequently lose revenues to cross-border trade for personal consumption and illegal re-sales. While Sweden has chosen to stick to its policy, Finland made the decision last year to reduce taxes substantially. (In 2001, Sweden did reduce its alcohol tax on wine, but only marginally in order to avoid a lawsuit from the European Commission. (See Gain report SW1010)

In their EU accession treaties, the Finnish and Swedish governments also managed to retain their retail monopolies. In Finland, the liquor store monopoly Alko has the sole right of retail sale of alcoholic beverages containing over 4.7 per cent of alcohol by volume. According to Alko, savings from the tax cuts that took effect on March 1st are being fully passed on to their customers. The alcohol tax has been reduced for strong beer from euro 0.63 to euro 0.43 per 0.5 liter (32%), for wine from euro 23.5 to 21.2 per liter (10%) and for hard liquors (40% of alcohol by volume) from euro 202 to 114 per liter (44%). Finland's 22% value-added tax (VAT) still applied to all sales in addition to the alcohol excise tax.